PENSIONS
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Irish Life

Salary Deducted PRSAs vs. Company Pensions

PENSION ADVISORY SERVICES

Contract Type	**Salary Deducted PRSA**	**Company Pension Scheme (one-member DC arrangement)**
Policy Owner	The client owns the policy.	Must be set up under trust for the benefit of the employee. The trustee owns the policy.
Retirement Age	Benefits can be taken between age 60 and 75. An employee who leaves **current** employment can take benefits from age 50.	Normal retirement age can be set between 60 and 70. An employee who leaves **the relevant** employment can take benefits from age 50.
Employer Contributions	The employer does not need to contribute. Any employer payments that bring the total contributions over the limits below will incur a BIK liability for the employee. From 1 January 2016 employees no longer have to pay the Universal Social Charge (USC) on employer PRSA contributions.	The employer must make a "meaningful contribution". There is no BIK liability for the employee on employer contributions to a company pension scheme. The employer can contribute as much as is needed to provide the maximum benefits allowed by Revenue at retirement.
Employee Contributions	The employee and employer can contribute up to the limits below and claim tax relief, subject to a salary cap of €115,000. **Age** / **% of salary** Under 30 / 15% 30 – 39 / 20% 40 – 49 / 25% 50 – 54 / 30% 55 – 59 / 35% 60 and over / 40%	The employee can contribute up to the limits below and claim tax relief, subject to a salary cap of €115,000. **Age** / **% of salary** Under 30 / 15% 30 – 39 / 20% 40 – 49 / 25% 50 – 54 / 30% 55 – 59 / 35% 60 and over / 40%
Employee Tax Relief	Tax relief given at source where employer operates a net pay arrangement.	Tax relief given at source where employer operates a net pay arrangement.
Employer Tax Relief	The company gets corporation tax relief on contributions paid into the PRSA.	The company gets corporation tax relief on contributions paid into the Company Pension.
Retirement Benefits	The benefits provided will depend on the size of the fund when the employee retires <u>Lump Sum Option:</u> 25% of the value of the PRSA fund <u>Balance of Fund Options:</u> ▪ Purchase an annuity ▪ Leave in the PRSA as a vested PRSA ▪ Invested in an ARF* ▪ Take as taxable lump sum** * This option is subject to meeting either the guaranteed income requirement of €12,700pa or the AMRF / annuity purchase price requirement of €63,500.	The benefits provided will depend on the size of the fund when the employee retires **<u>Option 1:</u>** <u>Lump Sum Option:</u> Based on member's salary and service, to a maximum of 150% of final salary based on having 20 years service at Normal Retirement Age. Reduced lump sum available for shorter service. <u>Balance of Fund Option</u> ▪ Purchase an annuity ▪ AVCs can be invested in an ARF or taken as taxable cash*

Contract Type	Salary Deducted PRSA	Company Pension Scheme (one-member DC arrangement)
Retirement Benefits	** This option is subject to meeting either the guaranteed income requirement of €12,700pa or the AMRF / annuity purchase price requirement of €63,500 or keeping a minimum of €63,500 in the vested PRSA. Annuity payments and withdrawals from ARFs, AMRFs and Vested PRSAs will be subject to income tax, USC and PRSI where applicable. **There is no access to vested PRSAs after age 75.**	<u>Option 2 (For DC schemes):</u> <u>Lump Sum Option:</u> 25% of the value of the pension fund <u>Balance of Fund Options:</u> ▪ Purchase an annuity ▪ Invest in an ARF* ▪ Take as taxable lump sum* *These options are subject to meeting either the guaranteed income requirement of €12,700pa or the AMRF / annuity purchase price requirement of €63,500. Annuity payments and withdrawals from ARFs, AMRFs and Vested PRSAs will be subject to income tax, USC and PRSI where applicable.
Ill Health Early Retirement	Pension benefits can be taken at any age where the employee is permanently incapable of carrying out their own occupation.	Pension benefits can be taken at any age where the employee is permanently incapable of carrying out their own occupation.
Death Benefits	On death the value of the PRSA is paid to the deceased's estate. All death benefits are subject to inheritance tax, except where inherited by the deceased's legal spouse or registered civil partner.	**Death in Service:** where the employee dies while still in service with the employer benefits are as follows; ▪ lump sum 4 x salary (taking lump sums from previous employments into account) ▪ refund of the value of any employee and AVC contributions ▪ a spouse's / dependant's pension not greater than the employee's entitlement had he retired on ill health grounds. **Preserved Benefit:** if the employee had left service with the employer and had a preserved benefit then the full value of the employee's fund is paid to the estate on death. All lump sum death benefits are subject to inheritance tax, except where inherited by the deceased's legal spouse or registered civil partner.
Employer Responsibilities	Employers responsibilities include: ▪ Pass contributions to the PRSA provider within 21 days of the end of the month ▪ Notify the employee in writing each month of PRSA contributions deducted from salary. This is usually done through the employee's payslip. ▪ Notify the PRSA provider each month of contributions deducted from employees' wages and any employer contributions for the previous month. ▪ Account for all contributions in P35 returns. Where the employer has 'excluded employee' that it does not operate a company pension scheme for, or has certain member restrictions, further responsibilities apply in terms of providing access to a PRSA salary deducted facility.	Employer responsibilities include: ▪ Pass on employee and AVC contributions deducted from salary to the scheme trustees within 21 days following the end of the month. ▪ Provide employees of written statement (usually as part of payslip) showing the amount of employer and employee contributions paid to the scheme in the previous month. Where the employer also acts as trustee they have responsibilities under Trust Law and The Pensions Act, 1990. More information on trustee obligations can be found in the Trustee Handbook and the Codes of Governances for DC Schemes available on the Pension Authority's website www.pensionsauthority.ie

Universal Social Charge and Employer PRSA contributions

PRSAs

The taxation treatment of an Employer contribution to a PRSA is that it is treated as Benefit-in-Kind for the Employee. This means the tax treatment of an employer contribution to a PRSA is as follows:

- Employer PRSA contributions are subject to income tax
- The individual employee will immediately receive relief on income tax within limits as if they had paid the contribution themselves. The net effect is that in most cases the employee will be in the same net position for income tax as if BIK did not apply.
- Employer PRSA contributions are not subject to PRSI
- From 1 January 2016 employees no longer have to pay Universal Social Charge on employer PRSA contributions. Prior to 1 January 2016 employees had to pay the USC on all employer PRSA contributions.

Company Pensions

Employer contributions to an exempt approved company pension arrangement are not a Benefit-In-Kind for the employee.

As a result employer contributions to a company pension **do not** result in an income tax, PRSI or USC liability for the employee.